

SUBCOMMITTEE NO. 1 on Education



Subcommittee No. 1
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Monday, April 18, 2005
1:30 pm
Room 113, State Capitol

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ITEM 6110 DEPARTMENT OF EDUCATION**ISSUE 1:** Program Reductions and Eliminations – Arts Education, AVID, Charter Facilities Block Grant, EMHI, Healthy Start, Student Organizations

DESCRIPTION: The Governor Budget proposes to eliminate funding for three small categorical programs in 2005-06 – Healthy Start, Early Mental Health Initiative, and Charter Schools Facilities Grants. In addition, the Governor’s Budget proposes to reduce funding for two other small education programs -- Student Organizations and Advancement Via Individual Determination (AVID). In addition, the Governor continues the elimination of the Local Arts Education Partnership Grant program in 2005-06.

BACKGROUND:

The Governor proposes to reduce or eliminate funding for a number of small education programs in 2005-06. As summarized in the table below, the Governor proposes to eliminate funding for the Healthy Start Program (\$2 Million) and for the Charter Schools Facilities Grant program (\$7.7 Million). The Governor proposes to reduce funding for the Early Mental Health Initiative program (\$5 Million); the Advancement Via Individual Determination (AVID) program (\$840,000); and for Student Organizations (\$48,000). In addition, the Governor does not propose to restore \$6 million in funding for the Local Education Arts Grants program vetoed from the 2004-05 budget.

Program/Item <i>(Dollars in Millions)</i>	Program Description	Program Funding-Budgeted 2004-05	Program Funding-Proposed 2005-06
Healthy Start (6110-200-0001) (Ed. Code 8800-8807)	<u>Background:</u> Provides competitive grants to support health, mental health, social, and other services located at or near school sites. <u>Governor’s Budget:</u> The Governor proposes to eliminate \$2.0 million in remaining funds for the Healthy Start program. The 2004-05 budget provided \$2 million in <i>one-time</i> funding to support eight operational grants and four planning grants in school districts statewide.	\$2.0 m	\$0
Early Mental Health Initiative (EMHI) (4440-102-0001)	<u>Background:</u> The EMHI program provides three-year grants to schools to serve children in grades K-3 who are experiencing mild to moderate adjustment problems, but not eligible for special education services. EMHI is administered by the Dept of Mental Health <u>Governor’s Budget:</u> The Governor proposes to reduce funding for EMHI by \$5 million in 2005-06. The Governor proposes to continue funding for programs in the	\$10.0 m	\$5.0

Program/Item <i>(Dollars in Millions)</i>	Program Description	Program Funding-Budgeted 2004-05	Program Funding-Proposed 2005-06
	second year of funding, but not to fund any new grants. The 2004-05 budget provided \$5m in ongoing funding and \$5 million in <i>one-time</i> funding. Prior to 2003-04, EMHI funding totaled \$15 million.		
CharterSchools Facilities Grant (6110-102-0001) Ed. Code 47614.5	<u>Background:</u> The Charter School Facilities Grant program provides funding to charter schools serving low-income students or located in low-income areas to offset rental and leasing costs. <u>Governor's Budget:</u> The Governor proposes to eliminate funding for this program in 2005-06. Statute establishing the program expressed legislative intent to provide \$10 million a year for a three years. Funding appropriated includes: \$10m in 2002-03; \$7.7m in 2003-04; and \$7.7m in 2004-05.	\$7.7 m	\$0
Advancement Via Individual Determination (AVID) (6110-130-0001)	<u>Background:</u> The AVID program provides assistance to schools to prepare low income students for college. The program focuses on students whose parents have not attended college. <u>Governor's Budget:</u> The Governor vetoed \$1.3 million for advanced placement teacher training and tutoring services in 2004-05. The Governor proposes to further reduce the AVID program by \$840,000 in 2005-06. To mitigate this proposed reduction, the Governor proposes to allow school districts to shift funding from the Professional Development Block Grant for AVID.	\$9.035 m [Non-98]	\$8.195 m [Non-98]
Vocational Education Student Organizations (6110-117-0001)	<u>Background:</u> Student organizations, including student councils, receive state support from funds available from the Vocational Education Student Organizations program and from another budget item that provides direct funding to the California State Association of Student Councils. <u>Governor's Budget:</u> The Governor's Budget proposes to reduce funding for Vocational Education Student Organizations by \$48,000 in General Funds (non-98) leaving a total of \$464,000 for the program. The 2004-05 budget reduced funding in this item for student councils by \$50,000. The Governor's Budget maintains \$33,000 for	\$.512 m [Non-98]	\$.464 m [Non-98]

Program/Item <i>(Dollars in Millions)</i>	Program Description	Program Funding- Budgeted 2004-05	Program Funding- Proposed 2005-06
	the California Association of Student Councils in 2005-06.		
Local Arts Education Partnerships (6110-177-0001) (Ed. Code 8810-8820)	<u>Background:</u> Provides competitive grants to LEAs to start comprehensive visual and performing arts education programs. <u>Governor's Budget:</u> In 2004-05 the Legislature restored \$6 million in one-time funding for Local Arts Education Partnerships grants. The Governor vetoed these funds, thereby eliminating all funding for the program. The Governor does not propose to restore funding for the program in 2005-06.	0 [Governor vetoed \$6 m.]	0

RECOMMENDATIONS: Staff recommends that the Subcommittee consider restoring funding for those programs that have a proven record of effectiveness and that any restorations utilize other savings identified in the budget. Using this criteria, staff would recommend restoration of \$864,000 in funding for the AVID program and \$5 million in funding for the EMHI program. Staff also recommends that the Subcommittee consider additional, limited-term funding for the Charter School Facilities Grant in order to reach the \$30 million target intended in statute. Unless the Legislature decides to make this an ongoing funding program for charter schools, staff recommends that no additional funding beyond this level be provided in the future.

OUTCOME:

ISSUE 2: K-12 High Speed Network (Internet 2)

DESCRIPTION: The Governor's Budget proposes \$21 million for operation and maintenance of the K-12 high speed Internet network program in 2005-06, which continues funding at the level budgeted in 2004-05. The Legislature may wish to reconsider funding for this program in light of findings and recommendations from an independent audit and a program status report that were required by the 2004-05 Budget Act.

BACKGROUND:

Program History and Funding: The 2004-05 budget appropriated \$21 million to the California Department of Education for a K-12 high speed network, previously known as Internet 2. This new program funds high speed Internet access and network connectivity for school districts and county offices of education.

The Internet 2 network was first developed as a university network used by the University of California, the California State University, as well as, independent universities in California. The Digital California Project (DCP), funded by the University of California, was created to extend this university network to the K-12 school system. A total of \$92.6 million was appropriated to UC between 2000-01 and 2003-04 for this purpose. Through a contract with the Corporation for Education Network Initiatives in California (CENIC), the Digital California Project at UC extended Internet 2 access to 58 county offices of education and most school districts and schools in the state.

The Internet 2 network is now defined as two separate programs – the K-12 High Speed Network and the Cal-REN 2 network for higher education.

A number of concerns were raised during budget discussions about funding for the K-12 High Speed Network last year. These concerns focused on the following issues: absence of an information technology plan for this statewide project; lack of a governance structure for the network; uncertain utilization of the K-12 network by LEAs; and unknown cost and revenue data essential for determining the appropriate level of state funding.

As a result of these concerns, provisional language was added to the 2004-05 budget bill that requires CDE to contract with a county office of education to implement the K-12 network, thereby replacing CENIC as the lead agency for the network. (CDE selected Imperial County Office of Education through a competitive bid process.) The language also expressed intent that funding for the network in 2005-06 be accompanied by a governance structure that is specified in statute. In addition, budget bill language requires two reviews developed in consultation with the Department of Finance and the Legislative Analyst – an *independent financial audit* of the K-20 Internet system administered by CENIC and a *program status report* on the K-12 network prepared by the lead agency.

Independent Audit: MGT of America, Inc. was selected to prepare the independent audit of the K-20 network, which was required by the 2004-05 budget. The audit was required to provide a financial audit of CENIC and DCP since its inception; long-term projections of utilization,

capacity and costs; cost estimates for alternative vendors; and other information. The audit was released on March 1, 2005. MGT will summarize their audit findings and recommendations for the Subcommittee at today's hearing.

There are several audit findings that relate to appropriate funding for the K-12 network, including:

- CENIC does not track project costs and compare those costs to the project budget. As a result, decision makers likely did not have all the financial information they needed to make decisions.
- LEAs are currently using about 5 percent of their capacity of the K-12 network;
- There is more than sufficient capacity for the majority of counties for many years. Even with 20 percent annual growth for the next seven years most counties will be using less than 15 percent of the capacity for which CENIC has contracted;
- While K-12 funding has comprised approximately 56 percent of the funding for CENIC between 2000-01 and 2003-04, the K-12 community is not represented on the CENIC Board of Directors. CENIC's 15-member board includes three members each from UC, CSU, CCC, as well as, representatives from four private universities.
- It is CENIC's position that it owns all fixed assets, including equipment, fibers, and leases related to the network, amounting to approximately \$22 million of assets pertaining to DCP.
- CENIC has set-aside cash assets from state appropriations for future years including: \$1.5 million in interest earnings; \$13 million for equipment replacement; and \$6 million to pre-pay operational support services. In addition, CENIC has \$8.4 million in cash balances and approximately \$6.6 million in E-Rate and California Teleconnect Fund balances.

In response, MGT makes specific budget recommendations to policymakers:

- (1) Resolve questions of whether the funding provided to CENIC for the DCP was a traditional payment of payment for services of an appropriation, which has importance for governance, allowable uses of funding and control of assets; and
- (2) Determine whether CENIC should repay the state for cash assets that have been set-aside for future purposes.

MGT makes other budget recommendations to the Imperial County Office of Education:

- (1) Seek an independent review of CENIC cost allocation metrics and costs allocated; and
- (2) Issue a request for proposal for a Virtual Private Network (VPN) to determine whether K-12 should continue with CENIC or pursue a VPN proposal.

Status Report Finding/Recommendations: The status report for the K-12 High Speed Network also required by the 2004-05 budget was prepared by Imperial County Office and three

other agencies that are a part of its lead agency consortium. The status report was required to address project activities and accomplishments to date, annual revenues and expenditures, annual savings to local agencies from the project, proposed activities including a three-year budget plan assuming current service levels, and other information. The final report was released April 13, 2005.

The Imperial County Office of Education will summarize information about the status of the K-12 network for the Subcommittee, including an update on implementation of recommendations made by the MGT audit. In particular, ICOE recognizes several shortcoming with the current contract with CENIC pointed out by the MGT audit, including: absence of service level agreements to specify the quality and quantity of services; lack of data to monitor network usage; incomplete accounting of E-Rate and California Teleconnect Fund funding; and incomplete information on shared costs for network users. While addressing issues identified by MGT, ICOE will pursue an interim contract with CENIC after the current contract expires on June 30, 2005. ICOE will also contract for comprehensive analysis of utilization and network design by early next fiscal year, in preparation for commissioning a proposal for the Virtual Private Network, as recommended by MGT.

Governor's Budget: The Governor's 2005-06 budget proposes \$21 million for the K-12 High Speed Internet Network program in 2005-06, which continues funding at the level budgeted in 2004-05. The Governor's budget specifies that the program shall be governed by legislation passed in 2005. The Administration is sponsoring legislation -- AB 1228 Daucher -- to establish a governance structure for the program. This is currently a spot bill.

LAO Recommendation: Given concerns raised by the MGT audit, the LAO recommends that the Legislature suspend the K-12 High Speed Project pending the results of an audit and a design and use study. The fiscal effect of this action would be to free up \$21.0 million in Proposition 98 funds. Specifically, the LAO recommend that the Legislature:

- (1) Submit an audit request to Joint Legislative Audit Committee (JLAC) to determine: (1) funds that remain available and potentially could be reverted to the state and (2) the assets that were purchased with state funds and that could be claimed by the state.
- (2) Depending upon the *JLAC audit* results, the Legislature could fund a network design and use study in 2006-07 (budget year plus one).
- (3) Depending upon the *design and use study* results, the Legislature could fund a network project and competitively contract for a network/service vendor in 2007-08 (budget year plus two).

RECOMMENDATIONS: Staff notes that MGT was unable to secure cost and utilization data required by the 2004-05 budget language as this information was not available from CENIC. MGT has indicated two explanations for this lack of data. First, CENIC did not apparently collect all the utilization data for the K-12 network requested. Second, CENIC was unable to share other data it has collected. This data is critical to making budget decisions for 2005-06 and beyond. In addition, it is unclear if cash assets and balances held by CENIC can be utilized to offset future costs.

Staff recommends that the LAO develop options for funding the K-12 High Speed Network in 2005-06 based upon new information, findings, and recommendations provided by (1) the MGT audit released last month; (2) the status report released last week; (3) utilization data that is starting to be collected by ICOE; and (4) other sources.

SUGGESTED QUESTIONS:

1. *Do the recent audits and status reports justify \$21 million in ongoing funding for the K-12 High Speed Network program? If not, how should the Legislature determine what level of state funding is needed for this program?*
2. *What is the timing of the study being proposed by the Imperial County Office of Education? Will it provide information to decide what network services are needed and what the state should pay for them?*
3. *Could cash assets held by CENIC be used to offset costs of the K-12 High Speed Network program in 2005-06?*
4. *Can other public sector users be added to the network to reduce costs to users?*
5. *What would happen if the state stopped funding the K-12 High Speed Network program in 2005-06? What services are LEAs now using that they would need to pay for with their own funds? How did LEAs pay for these services previously?*
6. *K-12 schools are participating in the high speed internet network with the state's public higher education systems. What are the cost sharing arrangements among these users. If the K-12 system were not funded, would it affect access and costs for the higher education systems?*
7. *The state has invested over \$100 million in the high speed network for K-12 and higher education. Do recent reports shed light on who owns this system, in particular, the fixed assets of the system? MGT recommends that policymakers address this issue. What would the process be for determining asset ownership?*
8. *Does the K-12 network save money for LEAs compared to what they previously paid for internet services?*

ISSUE 3: Governor's Initiative – Charter Schools Categorical Block Grant Program

DESCRIPTION: The Governor's Budget proposes reforms to the Charter Schools Categorical Block Grant intended to clarify and simplify the block grant calculations in 2005-06 and beyond. The Governor's reforms "delink" block grant funding from a specific set of categorical programs, by creating a new funding base that would be adjusted for growth and COLA annually. The LAO recommends a different set of reforms to the charter school block grant calculation, building upon outcomes from a legislatively required working group they convened to study alternatives to the current funding model. The LAO's proposal would link funding to a specific list of categorical programs included in the block grant, create a process for updating this list annually through the budget, and strengthen funding for economically disadvantaged students.

BACKGROUND:

Existing Charter School Block Grant: Under statute established in 1999 (AB 1115/Strom-Martin), charter schools receive categorical block grant funds in lieu of some categorical funds typically available to schools. This funding is provided in addition to charter school revenue limits that provide base funding for charter schools. The intent of the categorical block grant was to provide charter schools with funding comparable to funding that non-charter schools would otherwise receive for categorical purposes. Current law provides two types of categorical block grants to charter schools – a categorical block grant and compensatory education block grant. Since charter schools are exempt from most state laws governing schools, they can use their block grant funds for general purposes.

The categorical block grant is calculated based on average daily attendance for charter schools and is intended to provide comparable levels of funding for categorical programs that non-charter schools typically receive. The compensatory education block grant is provided based on the number of economically disadvantaged students attending the charter. This block grant is intended to provide funding similar to what non-charter schools receive from the Economic Impact Aid program.

Charter schools may apply separately for other categorical programs that are not included in the categorical block grant, but they have to comply with the funding requirements for those programs in order to receive funds.

Problems with the Existing Categorical Block Grants: When first established in 1999, there were 33 different categorical programs that were included in the block grant. Some of these programs no longer exist and some of these programs have since been consolidated in block grants as a part of categorical reforms. In addition, new categorical programs have been created since this time. In order to update the calculation, the DOF must adjust the 1998-99 base funding level annually to reflect programs that are moved "in" or "out" of the block grant calculation. These changes have to conform to overall changes in categorical program funding for programs in the block grant.

According to the LAO, there are two basic problems with the current block grant formulas. First, there is no consensus between CDE, LAO, and DOF on the programs that are supposed to be considered in and out of the block grant. There is contention about several large categorical programs and there is ambiguity about the new block grants created by AB 825 reforms last year. Secondly, the formula is overly complex and uses 1998-99 as a base year for making year-to-year changes.

Reforms Required by the 2004-05 Budget. In order to resolve these ongoing problems, the 2004-05 budget contained language requiring the LAO and DOF to work together to develop a simpler and clearer method for calculating the charter school block grant. The LAO convened a working group that included a range of stakeholders and that met several times during the fall of 2004. While the group did not come to a consensus on a specific new formula, it reached agreement on the purpose of the formula and general principles including the need for a formula that is simple and transparent, easy to implement administratively, provides comparable funding rates for charter schools compared to public schools, and retains the flexibility for using block grants as general purpose funding.

Governor's Reform Proposal. The Governor's budget provides \$68.1 million for the block grant, which represents a \$2.9 million increase above the 2004-05 level after adjustments for growth and COLA. The Governor proposes to delink funding from specific categorical programs and simply use this funding level to establish a new per-pupil funding base. For future years, charter schools would receive a categorical block grant amount based on this per-pupil base level, adjusted for inflation, multiplied by each charter's average daily attendance. The Governor proposes to review the base funding level every three years to determine its growth compared to general K-12 funding.

LAO Reform Proposal. According to the LAO, the Governor's proposal represents a significant change in the charter school block grant by delinking it from any set of underlying categorical programs so that it no longer represents in-lieu funding for a set of specified categorical programs. Without this link, it is unclear what programs are covered under the block grant and what programs charter schools would have to apply for separately. This does not resolve current contentiousness and confusion surrounding the formula. It also raises concerns about double-dipping by charters if they can apply separately for all programs that might also be covered by the block grant. In addition, charters would lose flexibility by having to apply for all programs separately.

As an alternative to the administration's proposal, the LAO recommends identifying specific programs that charter schools would have to apply for separately and those programs for which charter schools are not eligible. For all other categorical programs, the LAO recommends that charters receive a share of funding equal to the share of K-12 students they serve. These provisions would be specified in statute, but implemented through a budget control section to allow annual updates for changes in categorical programs. In addition, the LAO recommends changes to the disadvantaged student block grant for charter schools. Specifically, the LAO recommends increasing per pupil rates under this formula in order to strengthen incentives for serving economically disadvantaged students.

The LAO alternative would provide charter schools with approximately \$200 million of in-lieu categorical funding in 2005-06, which assumes charter schools serve three percent of all K-12 students. The LAO notes that it is difficult to compare this level of funding to existing charter school funding because it is not known what share of categorical funding charter schools actually receive.

Related Legislation:

AB 740 (Huff) – Contains provisions to change the charter school categorical block grant formula pursuant to the Governor's budget proposal.

COMMENTS/RECOMMENDATION:

Staff notes that Governor's categorical block grant proposal would cost an additional \$2.9 million and the LAO's proposal has no additional cost. While the Governor's proposal provides \$68.1 million for the block grant and the LAOs' proposal provides approximately \$200 million for the block grant, these reflect differences in how existing state categorical programs are *allocated* among charter schools and public schools.

Staff also notes that despite differences in the proposals, there is strong consensus among the LAO, DOF and CDE on the need to reform the existing charter block grant formula.

Staff further notes that while the working group convened by LAO to address reforms to the charter school block could not agree on a specific funding model to replace the existing one, there was agreement that the purpose of the block grant was to provide charter schools with funding in lieu of categorical programs. By delinking the block grant from any set of categorical programs, the Governor's proposal violates this principle and at the same time removes an important rationale for establishing the level of funding.

Staff recommends that the Subcommittee direct the LAO to continue working with DOF and CDE on possible agreements. LAO is working on a new alternative that reflects the level of funding provided in the Governor's proposal, but that links funding to a specific set of categorical programs.

OUTCOME:

ISSUE 4: Governor's Initiative – English Learner Acquisition Program

DESCRIPTION: The Governor proposes new budget bill language to change the way that English Language Acquisition Program (ELAP) funds can be used. This program serves English learners in grades 4-8. The Governor proposes changes that would require that ELAP funds be expended to be consistent with the requirements for California's Reading First program.

BACKGROUND:

Governor's Proposal: The administration proposes new budget bill language for the English Language Acquisition Program that would require ELAP funds be expended in a manner consistent with statutory requirements for the state's Reading First program. This creates new requirements for ELAP programs. The Governor's budget does not propose changes to the level of funding for the program. The Governor's budget provides \$57.6 million in 2005-06 for ELAP, which continues current year funding adjusted for growth and COLA.

ELAP Program Requirements: Under current law, the English Language Assistance Program provides up to \$100 per English learner in grades 4-8, per school year. As a condition of receiving funding from this program, participating school districts and county offices of education must certify that they will do all of the following, and may use these funds to accomplish these goals:

- Conduct academic assessment of English learners to ensure appropriate placement.
- Provide a program of instruction to assist English learners in achieving existing English language development standards.
- Provide supplemental instructional support (summer school, before/after school) to provide students with continuing English language development.
- Coordinate existing services and funding for English learners.

Existing law also provides for a one-time \$100 per-pupil allocation for each English learner that is reclassified as English proficient, but to date the budget has never contained funding to implement that provision.

Currently, there are approximately 532 LEAs that receive ELAP grants. These LEAs serve approximately 549,000 English learner students.

The state's Reading First program, which serves students in grades K-3, provides funding for purchasing reading materials, participating in state-approved professional development in reading and language arts, hiring reading coaches, and reading assessments. In order to receive funding, districts must purchase standards-aligned textbooks for English/ Language Arts and agree to participate in the state program.

COMMENTS/RECOMMENDATION: Staff notes that the Governor's proposal intends to extend features of the state's Reading First program for students in grades K-3 to English learner students in grades 4-8 who are served by the ELAP program. Staff also notes that because the current ELAP program allows funding to be used for a broader set of usages, most notably on English Language Development, and the Reading First program focuses primarily on reading, the Governor's proposal could limit some of the ways LEAs are currently using their ELAP funds. Under this scenario, LEAs might be required to discontinue some of their existing program activities.

OUTCOME:

ISSUE 5: Reading First

DESCRIPTION: The State Board of Education is requesting to provide a fourth year of funding for schools that currently receive Reading First grants. The 2004-05 budget requires legislative approval for this change.

BACKGROUND:

Governor's Budget. The Governor's budget proposes approximately \$145 million in ongoing federal Reading First funds in 2005-06, which reflects a similar level of ongoing funding in the current year. An additional \$29.6 million in one-time carryover funds was appropriated in 2004-05 to increase existing grants for the purpose of reducing students at risk of referral to special education.

Reading First Program: Federal Reading First funds are provided to states to improve the reading outcomes of students in grades K-3. California's Reading First state plan allows eligible school districts to receive three-year grants of up to \$6,500 per K-3 teacher. Funding can be used for purchasing reading materials, participating in state-approved professional development in reading and language arts, hiring reading coaches and reading assessments. In order to receive funding, districts must purchase standards-aligned textbooks for English/ Language Arts and agree to participate in the state program.

The State Board of Education has awarded approximately 110 school districts with Reading First grants of up to \$6,500 per K-3 teachers. This includes 13 first round districts; 60 second round districts; and 37 third round districts. According to CDE, 92 of these existing district grantees applied for the one-time money provided last year to prevent special education placements, which provided up to a total of \$8,000 per teacher for one year.

State Board Proposal for Fourth Year Grants. The 2004-05 budget contained provisional language requiring the State Board of Education to seek legislative approval for any extension of the grant period beyond three years. Upon a recommendation by CDE, the State Board of Education recommends extending the grant awards for the first cohort of grantees by providing them with a fourth year of funding. According to CDE, the fourth year of funding would be provided to those grantees that have demonstrated sufficient progress toward state goals. At this time it is not clear how the State Board plans attain legislative approval of its proposal.

COMMENTS/RECOMMENDATIONS: Staff notes that the Reading First program may expire in future years. For this reason, it is important to extend funding to eligible districts that have not received funding. Given a history of carryover funds with this program, it is also important to build in assurances that federal funds are expended in a timely fashion. For this reason, the Subcommittee may wish to ask the following questions of CDE and the Board when it considers the request to provide a 4th year of grant funding to the first round of grantees:

1. How many eligible districts have not received grants? Is there a demand for new grants?

2. Did the State Board consider proposals to provide funding for new grants to unserved districts? How much would be available for new grants in 2005-06? How could new grants be structured given the possibility that funding might expire in coming years?
3. If the state provides a 4th year of funding to first-round grantees, what implications will that have on the availability of funding for new grants? Does it intend for second and third round grantees to receive a fourth year of funding and how much will this cost?
4. Do CDE and the Board intend for the first round of grantees to later receive a 5th and 6th year of funding? If so, what implications does this have for the availability of funding for second and third round grantees to receive similar amounts of funding?

OUTCOME:

ISSUE 6. Governor's Initiative – School Business Officers

DESCRIPTION: The Governor's Budget proposes \$1 million in one-time funding for a new program to train school business officers.

BACKGROUND:

Governor's Proposal. The Governor proposes a new three-year program to train all school business officers in the state. The 2005-06 budget provides \$1 million in funding for the first year of the program. The program is intended to train 350 school district business officers a year and would provide approximately \$3,000 per participant. Funding priority would be given to business officers from districts currently operating with a state-appointed administrator or trustee, or from districts that have received a qualified or negative certification on the state financial status list within the last 5 years.

The training would involve at least 100 hours, with at least half of these involving intensive individualized support and professional development in the following areas:

- School finance, including revenue projections, cash-flow management, budget development, financial reporting, monitoring controls and average daily attendance projections, and accounting.
- School operations, including matters relating to facilities, maintenance, transportation, food services, collective bargaining, risk management, and purchasing.
- Leadership, including organizational dynamics, communication, facilitation, and presentation.

In order to participate, school districts and county offices would be required to submit a program proposal, and the State Board of Education would be required to approve the proposal. Program participants must use a state-qualified training provider approved by the State Board of Education.

The Administration is sponsoring legislation – SB 352 (Scott) -- to implement the School Business Officer's Training proposal. The program is modeled after the Principal Training Program.

COMMENTS/RECOMMENDATION: Staff recommends the Subcommittee consider funding this program given the program is low-cost and limited-term and because it would provide statewide training that focuses on improving the fiscal practices of school districts in order to avoid financial trouble.

ISSUE 7: Governor's Initiative – Supplemental Instruction

DESCRIPTION: The LAO recommends changes to the Pupil Retention Block Grant established by categorical reform legislation last year. Specifically, the LAO recommends adding two supplemental instruction programs to the block grant and specifying that these programs have first call on funds in the block grant.

BACKGROUND: AB 825, as enacted in 2004, consolidated 26 state categorical programs into six block grants that will take effect in 2005-06. LEAs are required to use funds for the purposes of programs included in the block grants. The new Pupil Retention Block Grant consolidates 11 programs largely directed to serving at-risk students who require supplemental instruction of other interventions. The Governor's Budget proposes \$172.9 million in funding for the Pupil Retention Block Grant in 2005-06.

Problems with Hold-Back Provisions for Block Grant: The LAO has identified problems with provisions of AB 825 that require 25% of each district's apportionment for Pupil Retention Block Grant to be "held back" pending full funding of two supplemental instruction programs that are not in the block grant. These two programs are: (1) supplemental instruction for students in grades 2-9 retained or recommended for retention and (2) supplemental instruction for students in grades 7-12 who are at risk of failing to pass the High School Exit Exam. The Governor's Budget proposes \$40 million for the grades 2-9 program and \$165 million for the grades 7-12 program in 2005-06. State law entitles districts to reimbursements based upon specified hours of instruction provided for these programs. The intent of the holdback was to contain costs for these two supplemental programs.

New Mandate Costs. The LAO reports that the Commission on State Mandates recently approved the supplemental instruction program for students in grades 2-9 as a reimbursable mandate although the state already provides funding for this program. The LAO indicates that the commission's findings are likely to increase costs substantially for this supplemental instruction program because they give districts substantial latitude in determining the level of services (hours and length of instruction, type of instruction, etc.) to comply with the mandate. The LAO estimates costs to increase in the tens of millions in coming years.

LAO Recommendations. Despite good intent, the LAO believes that the holdback provisions do not contain costs because they exclude two costly supplemental instruction programs the state fully funds. In addition, the holdback creates budget uncertainties and inequities for districts in providing funding for programs in the block grant.

For these reasons, the LAO recommends the elimination of the hold-back provisions of the Pupil Retention Block Grant. Alternatively, the LAO recommends that two programs discussed above -- supplemental instruction for students in grades 2-9 and supplemental instruction for students in grades 7-12 -- be added to the block grant and have first call on funding. According to the LAO, adding these programs eliminates the need for hold-back provisions and increases local incentives for cost containment.

OUTCOME:

ISSUE 8. Governor's Initiative – Professional Development Block Grant

DESCRIPTION: The Governor proposes to add three professional development programs to the professional development block grant created by AB 825, the categorical reform bill enacted in 2004. The LAO supports some of the Governor's proposals, but recommends some modifications and some additions.

BACKGROUND:

Recent Categorical Reforms: AB 825, as enacted last year, consolidated four professional development programs into a new Professional Development Block Grant. AB 825 allows school districts to transfer funds among the six block grants and into other categorical programs – up to 15% out of any block grant except for the Pupil Retention and Teacher Credentialing block grants.

Governor's Budget. The Governor's budget appears to build upon the categorical reforms initiated by AB 825. Specifically, the Governor proposes to add three programs to the new Professional Development (PD) Block Grant, including:

- Peer Assistance and Review (\$27.3 million);
- Bilingual Teacher Training (\$1.9 million); and
- Teacher Dismissal Apportionments (\$43,000).

The Governor also proposes language to allow school districts to use funds from the Professional Development Block Grant to fund professional development (teacher and leadership training) for the Advancement Via Individual Determination (AVID) program. The Governor's Budget proposes to reduce funding teacher training and tutoring under the AVID program by \$824,000 in 2005-06, bringing total funding for the program to \$8.2 million. To mitigate this reduction, the Governor proposes to allow districts to access Professional Development Block Grant funds for AVID.

LAO Recommendations: The LAO supports the Governor's proposed additions to the Professional Development Block Grant with the three following modifications:

- Exclusion of the Teacher Dismissal Apportionments program (\$43,000);
- Inclusion of the Math and Reading Professional Development program (\$31.7 Million); and
- Addition of teacher data requirements for LEA as a condition to receiving block grant funding.

The LAO recommends that the Legislature establish an integrated teacher-student data system to assure meaningful state-level program evaluations and help hold districts accountable for using block grant funds effectively. The LAO believes that this data is required to assure accountability given the program flexibility provided by recent categorical reforms. The LAO

has recommended the state adopt an integrated teacher data system for the last two years so that professional development programs can be better assessed and compared.

The LAO further recommends that the Legislature require school districts to provide specific teacher-level data as a condition of receiving either Professional Development of Teacher Credentialing block grant funds.

Related Legislation:

SB 1072 (Simitian) – Places eight additional programs into the Professional Development Block Grant established pursuant to AB 825.

AB 682 (Karnette) – Provides general clean-up to AB 825 including provisions to reinstate the School Safety Act and correct technical problems with both the Pupil Retention and Teacher Credentialing block grants.

COMMENTS/RECOMMENDATIONS:

Staff notes the need for a viable and effective statewide teacher information system has been well established. The No Child Left Behind (NCLB) requirements for assuring that all students have access to highly qualified teachers create new pressures for the state to integrate existing teacher data and develop new capacities. Beyond these reporting requirements, teacher data would be useful in judging the effectiveness of professional development programs.

Staff recommends that the Subcommittee consider appropriating \$350,000 to the California Department of Education in 2005-06 to contract for a teacher data system design study, as recommended by the LAO. An advisory committee including DOF and LAO would guide the development of requests for proposal and the selection of a vendor.

Staff further recommends that the Subcommittee consider funding the study with one-time, federal Title II carryover funds. Federal Title II funds, as authorized under NCLB, are intended for professional development so this would be an appropriate source of funding.

OUTCOME:

ISSUE 9: Data Systems – CSIS & CALPADS

DESCRIPTION: The Governor proposes to maintain funding for California School Information System (CSIS) essentially at current-year levels. The Governor's budget does not propose funding for the California Longitudinal Pupil Achievement System (CALPADS) in 2005-06. However, DOF is currently reviewing a revised Feasibility Study Report (FSR) for CALPADS, which was just recently resubmitted by CDE. (The initial FSR was submitted to DOF in August 2004). DOF completed an initial review of the FSR in early January 2005, and requested changes from CDE. The revised FSR is currently being reviewed by the Office of Technology Review, Oversight, and Security (OTRAS) at the Department of Finance.

BACKGROUND:

California School Information System: CSIS is a multi-year project to develop, implement and manage a statewide student level database and information transfer network. The program is administered by the Fiscal Crisis and Management Assistance Team (FCMAT), which is part of the Kern County Office of Education. CSIS was authorized by AB 107, as enacted in 1997. Since enactment, the state has spent nearly \$64.3 million on the CSIS system.

The Governor's budget proposes \$8.1 million in funding for CSIS in 2005-06. This includes \$1.3 million for maintenance of student identifiers. While separate from the CALPADS system, the CSIS project has funded issuance and maintenance of individual student identifiers as required by state law and needed for the state's longitudinal data base. By the end of 2004-05, all school districts statewide will have issued individual, non-personally identifiable student identification numbers for their students.

Feasibility Study for the Longitudinal Data Base: Current law, established by SB 1453 (2002) and SB 257 (2003), requires that CDE contract for the development of a statewide data system to collect, maintain, and report longitudinal student assessment and other data required to meet federal NCLB reporting requirements, to evaluate education programs, and to improve student achievement. This system is known as California Longitudinal Pupil Achievement System (CALPADS).

According to CDE, SB 1453 and SB 257 identify five basic goals for the state's longitudinal data system:

- To provide school districts and CDE access to data necessary to comply with federal NCLB reporting requirements;
- To provide a better means of evaluating education progress and investments over time;
- To provide local education agencies information that can be used to improve pupil achievement;
- To provide an efficient, flexible, and secure means of maintaining longitudinal statewide pupil level data; and
- To promote good data management practices with respect to pupil data systems and issues.

CDE submitted the CALPADS FSR to the Department of Finance on August 20, 2004. The Department of Finance provided comments from DOF on January 12, 2005. CDE submitted a revised FSR to DOF to address requested issues of concerns on April 6, 2005. According to CDE, concerns have included (1) whether CALPADS exceeds the requirements of SB 1453 and/or the federal NCLB; (2) operations services and systems alternatives; (3) the costs of the system to LEAs; and (4) oversight and quality assurance.

According to the FSR, implementation and ongoing costs for CALPADS are estimated at \$8.1 million over the next four years (2005-06 to 2009-10). The Governor's Budget does not currently contain funding for CALPADS, given that DOF has not yet approved the FSR for the project.

CDE has requested \$844,972 for CALPADS activities in 2005-06, should the FSR be approved. This includes \$609,072 for project management, RFP development and an independent project oversight consultant; and \$235,000 for two positions at CDE for CALPADS.

COMMENTS: Staff notes that the CALPADS project appears to be a high priority for both SPI and DOF, based upon correspondence that expresses their agencies' mutual support.

Staff recommends that the Subcommittee ask for a status report on the CALPADs project from both CDE and DOF. While DOF received the revised FSR from CDE approximately two weeks ago, DOF might be able to provide an update about its status. If the FSR is approved, additional funding will be needed to fund CALPADS in 2005-06. The Administration may not be able to comment on this prior to May Revise.

OUTCOME:

Appendix A:
Categorical Programs Consolidated by AB 825

Figure 1**Six New Block Grants****Pupil Retention Block Grant—\$172.9 Million**

- “Core” programs supplemental instruction.
- Continuation high schools.
- Drop Out Prevention and Recovery.
- Reading, writing, math supplemental instruction.
- Tenth Grade Counseling.
- High-Risk Youth Education and Public Safety.
- Opportunity Programs.
- Los Angeles Unified At-Risk Youth Program.
- Intensive reading supplemental instruction.^a
- Algebra academies supplemental instruction.^a
- Early Intervention for School Success.^a

School Safety Consolidated Competitive Grant—\$16.3 Million

- Safe school planning and partnership mini-grants.
- School community policing.
- Gang Risk Intervention Program.
- Safety plans for new schools.
- School community violence prevention.
- Conflict resolution.

Teacher Credentialing Block Grant—\$83.9 Million

- Beginning Teacher Support and Assessment program.

Professional Development Block Grant—\$248.6 Million

- Staff Development Buyout Days.
- Comprehensive Teacher Education Institutes.
- College Readiness Program.
- Teaching as a Priority Block Grant.^b

Targeted Instructional Improvement Block Grant—\$874.5 Million

- Targeted Instructional Improvement Grant Program.
- Supplemental Grants.

School and Library Improvement Block Grant—\$421.6—Million

- School library materials.
- School Improvement Program.

^a These programs were not funded in 2004-05, but school districts are allowed to use new block grant monies for their purposes.

^b Program defunded as of 2003-04, but school districts are allowed to use new block grant monies for its purposes (teacher recruitment and retention).

Source: Legislative Analyst’s Office, Analysis of the 2005-06 Budget, February 2005.